

SHELBY-BENONA FIRE DISTRICT
64-7508
OCEANA COUNTY, SHELBY, MICHIGAN

AUDIT REPORT

For the Year Ended December 31, 2003

NICHOLAS D. LAHR
Certified Public Accountant
198 North Michigan Ave.
Shelby, Michigan 49455
Phone: (231) 861-4786
Fax: (231) 861-6481

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Shelby - Benona Fire Department	County Oceana
Audit Date 12/31/03	Opinion Date 9/28/04	Date Accountant Report Submitted to State: 9/28/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

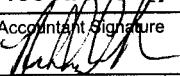
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Nicholas D. Lahr			
Street Address 198 N. Michigan	City Shelby	State MI	ZIP 49455
Accountant Signature 		Date 9/28/04	

SHELBY-BENONA FIRE DISTRICT
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NICHOLAS D. LAHR
CERTIFIED PUBLIC ACCOUNTANT

MEMBER
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September 28, 2004

Local Audit and Finance Division
Michigan Department of Treasury
430 West Allegan 4th Floor
Lansing Michigan 48922

Re: Shelby-Benona Fire District
Audit as of December 31, 2003

Dear Sir:

This report on auditing procedures is written pursuant to Section 7 (2) of the Public Act 2, P.A. of 1968, as amended. We have made an examination of the financial statements of the above-mentioned local unit of government. Our opinion, dated September 28, 2004, with respect to these statements is included in our accountant's report submitted to you under date of September 28, 2004.

In connection with the foregoing examination, we have complied with the minimum requirements as outlined in your publication, "Bulletin for the Audits of Local Units of Government in Michigan" (BUGSLUG), as revised.

In accordance with the provisions of P.A. 275 of 1980, as amended, there are no accumulated deficits in the various fund balances of the above local unit, other than as disclosed in the financial statements including the notes thereto. In addition, we found no substantive instances of noncompliance with the provisions of P.A. 2 of 1968 (the Uniform Accounting and Budgeting Act) as amended, other than as disclosed in the financial statements including the notes thereto, or as described in the report of comments and recommendations as prescribed by the reporting guidelines for instances of noncompliance included in Appendix B of the BUFALUG manual.

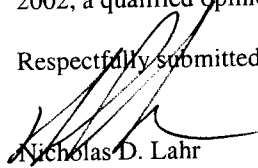
I hereby state and affirm that I am a certified public accountant registered to practice in the State of Michigan and an independent insofar as that term is defined in our profession.

We did not issue a report of comments and recommendations.

In our accountant's report for the above-mentioned period, we have expressed a qualified opinion. The Township budgets its property taxes in the year of collection versus year of levy.

In the last previous accountant's report for the local unit, which covered the period January 1, 2002 to December 31, 2002, a qualified opinion was expressed.

Respectfully submitted,


Nicholas D. Lahr
Certified Public Accountant

NICHOLAS D. LAHR
CERTIFIED PUBLIC ACCOUNTANT

MEMBER
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 28, 2004

Board of Directors
Shelby-Benona Fire District
Oceana County
Shelby, Michigan 49455

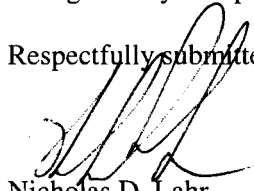
We have audited the combined financial statements of the Shelby-Benona Fire District as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The combined financial statements referred to above do not include a complete Fixed Asset Account Group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the Fixed Asset Account Group is not known.

In our opinion, except for the incompleteness of the Fixed Asset Account Group, the financial statements referred to above present fairly, in all material respects, the financial position of the Shelby-Benona Fire District as of December 31, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Respectfully submitted,


Nicholas D. Lahr
Certified Public Accountant

SHELBY-BENONA FIRE DISTRICT
Combined Balance Sheet
All Funds and Account Groups
As of December 31, 2003

	Governmental Fund Types		Account Groups	Totals (Memorandum Only)
	General Fund	Special Revenue Fund	Fixed Asset	
Assets				
Cash & Cash Equivalents	\$ 53,617	\$ 125,426	\$	\$ 179,042
Accounts Receivable	130			130
Investments		0		0
Prepaid Insurance	0			0
Fixed Assets			273,532	273,532
Amount to be Provided for Long Term Debt				0
Total Assets	<u>\$ 53,747</u>	<u>\$ 125,426</u>	<u>\$ 273,532</u>	<u>\$ 452,706</u>
Liabilities and Fund Equity				
Liabilities				
Long Term Debt	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 0
Interest Payable				0
Total Liabilities	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>0</u>
Fund Equity				
Investment in Fixed Assets			273,532	273,532
Fund Balance	53,747	125,426		179,174
Total Fund Equity	<u>53,747</u>	<u>125,426</u>	<u>273,532</u>	<u>452,706</u>
Total Liabilities and Fund Equity	<u>\$ 53,747</u>	<u>\$ 125,426</u>	<u>\$ 273,532</u>	<u>\$ 452,706</u>

The Notes to the Financial Statements are an integral part of this statement.

SHELBY-BENONA FIRE DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
All Funds
For the Year Ended December 31, 2003

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Revenues			
Contributions from Local Governments	\$ 155,344	\$ - 0 -	\$ 155,344
Interest	2,411	886	3,297
Other Revenue	978	7,500	8,478
Total Revenues	<u>158,733</u>	<u>8,386</u>	<u>167,119</u>
Expenditures			
Public Safety	84,873	- 0 -	84,873
Capital Outlays	5,788		5,788
Total Expenditures	<u>90,661</u>	<u>- 0 -</u>	<u>90,661</u>
Excess/(Deficiency) of Revenues Over Expenditures	68,072	8,386	76,458
Other Sources/(Uses):			
Operating Transfers In		53,883	53,883
Operating Transfers Out	(53,883)		(53,883)
Deposit on New Equipment	(40,867)		(40,867)
Net Excess/(Deficiency)	(26,678)	62,269	35,592
Fund Balance 12-31-02	<u>80,425</u>	<u>63,157</u>	<u>143,582</u>
Fund Balance 12-31-03	<u>\$ 53,747</u>	<u>\$ 125,426</u>	<u>\$ 179,174</u>

The Notes to the Financial Statements are an integral part of this statement.

SHELBY-BENONA FIRE DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Contributions from Local Governments	\$ 122,000	\$ 155,344	\$ 33,344
Interest	6,000	2,411	(3,589)
Other Revenue	25,000	978	(24,022)
Total Revenues	<u>153,000</u>	<u>158,733</u>	<u>5,733</u>
Expenditures			
Public Safety	70,050	84,873	14,823
Capital Outlay	82,950	5,788	(77,162)
Total Expenditures	<u>153,000</u>	<u>90,661</u>	<u>(62,339)</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>68,072</u>	<u>\$ 68,072</u>
Other Sources/(Uses):			
Operating Transfers In			
Operating Transfers Out		(53,883)	
Deposit on New Equipment		(40,867)	
Net Excess/(Deficiency)		(26,678)	
Fund Balance 12-31-02		<u>80,425</u>	
Fund Balance 12-31-03		<u>\$ 53,747</u>	

The Notes to the Financial Statements are an integral part of this statement.

SHELBY-BENONA FIRE DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Special Revenue Fund
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Contributions from Local Governments	\$ - 0 -	\$ - 0 -	\$ - 0 -
Interest		886	886
Other Revenue		7,500	7,500
Total Revenues	<u>- 0 -</u>	<u>8,386</u>	<u>8,386</u>
Expenditures			
Public Safety	- 0 -	- 0 -	- 0 -
Capital Outlay	- 0 -	- 0 -	- 0 -
Total Expenditures	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>8,386</u>	<u>\$ 8,386</u>
Other Sources/(Uses):			
Operating Transfers In		53,883	
Operating Transfers Out			
Net Excess/(Deficiency)		62,269	
Fund Balance 12-31-02		<u>63,157</u>	
Fund Balance 12-31-03		<u>\$ 125,426</u>	

The Notes to the Financial Statements are an integral part of this statement.

SHELBY-BENONA FIRE DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The entity is organized as a Fire District under the Auspices of Public Acts 33 and 57 of 1951. The purpose of the organization is to provide fire protection for the village of Shelby, Shelby Township and Benona Township. The Fire District is governed by a Board whose membership is comprised of representatives from the participating governmental units.

The financial statements of the Fire District include those of separately administered organizations that are controlled by or dependent on the Fire District. The criteria for including organizations within the Fire District's reporting entity, as set forth in GASB No. 14, "The Reporting Entity", is financial accountability. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing boards. Based on the above criteria, there are no other organizations included in these financial statements.

BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including general operating expenditures of the local unit. Revenues are derived primarily from inter-governmental revenues. Contributions are made on a quarterly basis.

Special Revenue Fund – This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Account Groups

Fixed Assets – The fixed asset account group is used to account for the fixed assets of the District. As the District has not maintained accounting records of its fixed assets, the fixed assets reported in the accompanying combined balance sheet represent the two trucks acquired in 1997.

Long Term Debt – The long term debt account group is used to account for general long-term debt and the related accrued interest payable.

BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, and operating transfers. Expenditures are recorded when the liability is paid, except for interest on long-term debt, which is recorded when incurred.

SHELBY-BENONA FIRE DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BUDGETS

As mandated by PA 621 of 1978, all Fire District funds are required to be under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Fire District.

PA 621 of 1978 Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Expenditure overages occurred in the following activities during the year ended December 31, 2003:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over</u>
Payroll	23,200	32,411	9,211
Office Supplies	1,150	1,620	470
Audit	900	950	50
Dues and Subscriptions	250	600	350
Insurance	15,500	21,851	6,351
Utilities	2,500	5,117	2,617
Maintenance	13,200	14,036	836

In the body of the financial statements, the District's actual expenditures and budgeted funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted at the activity level.

The budget is prepared by the Fire District Treasurer, together with the Fire District Chief. The budget is then presented to the Fire District Board for approval, after which it is presented to the Township boards of both Shelby and Benona Townships.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivision Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Fire District, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- 1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- 2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Administration; but only if the bank, savings and loan association, or credit union complies with Subsection (2) of the above mentioned Acts.

SHELBY-BENONA FIRE DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2003

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS – continued

- 3) In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standards rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of the funds may be invested in commercial paper at any time.
- 4) In United States government or federal agency obligation repurchase agreements.

NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents represent funds on deposit with financial institutions that are subject to immediate availability or are certificates of deposit with an initial maturity of less than one year. Certificates of deposit with an initial year greater than one year are classified as investments. As of December 31, 2003, all bank accounts and certificates of deposit are maintained at the Shelby State Bank. The following summarizes the District's funds on deposit as of December 31, 2003:

	<u>Balance Per Books</u>	<u>Balance Per Bank</u>
Cash and Cash Equivalents:		
General Fund:		
a/c # 27896	\$ (5,349)	\$ 6,307
a/c # 634386	58,965	105,348
Total General Fund	<u>53,617</u>	<u>111,655</u>
Special Revenue (Equipment) Fund:		
a/c # 633495	125,426	79,043
Total Special Revenue Fund	<u>125,426</u>	<u>79,043</u>
Total Cash and Cash Equivalents	<u><u>\$ 179,042</u></u>	<u><u>\$ 190,698</u></u>

POST-EMPLOYMENT BENEFIT PLANS

The Fire District has no defined pension or post-employment benefit plan as of December 31, 2003.

ACCUMULATED UNPAID EMPLOYEES BENEFITS

The Fire District had no Accumulated Unpaid Employee Benefits at December 31, 2003.

SHELBY-BENONA FIRE DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2003

NOTE 3 - DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS - continued

RISK FINANCING AND RELATED INSURANCE

The Fire District participates in a commercial insurance plan provided by JW Ryan Underwriting and a workman compensation plan provided by the Accident Fund of Michigan. As of December 31, 2003, there were no known claims against the Township.

DEFERRED COMPENSATION

The Fire District had no Deferred Compensation liability as of December 31, 2003.

NOTE 4 – SUBSEQUENT EVENT

EXPANSION OF SERVICE

Effective January 1, 2001, the Shelby-Benona Fire District entered into an agreement with the Village of New Era, Michigan, to provide fire protection coverage within the Village of New Era. Under the terms of the Agreement, the Shelby-Benona Fire District obtained the use of fire fighting equipment and related facilities owned by the Village of New Era. The Village of New Era is responsible for maintaining insurance on the New Era fire department building, maintaining the outside of the building and maintaining providing outside maintenance. The Shelby-Benona Fire District is responsible for maintaining casualty and liability insurance for the fire fighting equipment owned by the Village of New Era and for the future replacement of any such equipment.

**SUPPLEMENTAL
INFORMATION**

SHELBY-BENONA FIRE DISTRICT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
Expenditures Detailed
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Contributions from Local Governments	\$ 122,000	\$ 155,344	\$ 33,344
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Other Revenue	25,000	978	(24,022)
Total Revenues	<u>153,000</u>	<u>158,733</u>	<u>5,733</u>
Expenditures			
Payroll	23,200	32,411	9,211
Office Supplies	1,150	1,620	470
Operating Supplies	5,500	3,788	(1,712)
Audit	900	950	50
Dues and Subscriptions	250	600	350
Radio Maintenance	500	57	(443)
Telephone	1,000	884	(116)
Payroll Taxes	2,500	2,479	(21)
Training	2,000	668	(1,332)
Insurance	15,500	21,851	6,351
Utilities	2,500	5,117	2,617
Maintenance	13,200	14,036	836
Miscellaneous	1,850	412	(1,438)
Capital Outlay	82,950	5,788	(77,162)
Total Expenditures	<u>153,000</u>	<u>90,661</u>	<u>(62,339)</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>68,072</u>	<u>\$ 68,072</u>
Other Sources/(Uses):			
Operating Transfers In			
Operating Transfers Out		(53,883)	
Deposit on new equipment		(40,867)	
Net Excess/(Deficiency)		<u>(26,678)</u>	
Fund Balance 12-31-02		<u>80,425</u>	
Fund Balance 12-31-03		<u>\$ 53,747</u>	